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Report on Long Term Financing for Tri-Met

City Club of Portland (Portland, Or.)

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Report On
LONG TERM FINANCING FOR TRI-MET

To the Board of Governors,
City Club of Portland:

I. INTRODUCTION

Your Committee was formed pursuant to a charge approved by the Board of Governors on June 23, 1980. The Committee first met on December 16, 1980. Thereafter, meetings were held weekly, with occasional interruptions, through late October 1981. A list of persons interviewed and a bibliography are attached as Appendices A and B to this report.

The charge from the Board of Governors to the Committee reads: "Examine and evaluate Tri-Met's sources of revenue used for operations and for capital expenses, and recommend an appropriate level of public support and preferred financing measures to provide that support." Because one of the main purposes of this study is to determine whether Tri-Met faces some gap between revenues and costs and would therefore need a source of additional revenue, the Committee believes some consideration of possible cost savings is also necessary.

Your Committee's efforts have concentrated on examining Tri-Met's revenue requirements and alternative ways of raising that revenue. However, because the amount of revenue required depends on the level of service provided, your Committee found it necessary to reach preliminary conclusions about desirable levels of service. It was not within our charge to thoroughly evaluate the role of transit in the community. The City Club of Portland has on a number of occasions made it clear that it favors an expansive role for transit and for Tri-Met.¹ Your Committee strongly concurs. Therefore, financial conclusions are based largely on an assumption of expanded service levels, and, in particular, on the service improvements in Tri-Met's Five Year Transit Development Program.

II. BACKGROUND

A. History

Tri-Met, formally the Tri-County Metropolitan Transportation District, was created by 1969 legislation. Before then, transit services had been provided locally by private companies, principally Portland's Rose City Transit Company. By 1969, the number of passengers carried annually by local transit companies had declined to less than one-seventh the number of passengers they had carried at the end of World War II (125,000,000 versus 17,000,000). Their finances were a shambles. In 1969 the Portland City Council terminated Rose City's franchise, and Tri-Met took over operation of the local transit system.

1. The City Club has previously gone on record in support of an expanded role for mass transit. See Report on Authorizes Vehicle Tax Mass Transit Use (State Measure No. 4) and Auto Registration Fee/Credit for Transit (Tri-Met Measure No. 26-1), April 22, 1976; Report on Highway Fund Use for Mass Transportation (State Measure No. 2), May 24, 1974; and Report on Choices for Metropolitan Portland's Mass Transit System, June 2, 1977.

By almost all accounts, Tri-Met has done a very creditable job since its formation. The number of buses has increased from 293 in 1969 to 566 today. Annual ridership has increased from less than 17,000,000 to 37,774,000. Although they may have disagreed with particular decisions, the majority of the persons interviewed by your Committee acknowledged that Tri-Met, in recent years, has been one of the best administered transit systems in the country.

In June 1977, the City Club published a report entitled "Choices for Metropolitan Portland's Mass Transit System." The reader is referred to that report for a more comprehensive history of mass transit in the Portland metropolitan area.

B. Description of Tri-Met

Tri-Met operates 566 buses on 71 lines extending 1,354 miles through the Tri-County Portland Metropolitan Area. A map of the service area appears in the center of this report. In the fiscal year ending June 30, 1981, Tri-Met carried 37,774,000 passengers. This represented 5 percent of all trips made in the metropolitan area. Although ridership is up 220 percent over levels existing when Tri-Met was formed, since September 1980 monthly ridership has declined from year-earlier levels. Tri-Met employs 1,597 persons, of whom 1,144 were directly involved in transportation, 218 in equipment maintenance, 47 in other operational jobs, and 188 in general administration, which includes public affairs, planning and development, finance and general management.

Overall management responsibility for Tri-Met is vested in a board of directors of seven members, each of whom is appointed by the Governor for a four-year term. The board elects the president from among its members. It employs a general manager, who is responsible for the direct day-to-day management of the district and its operations. Tri-Met's current board president is Gerard K. Drummond who has held that position since 1974. The general manager since 1980 is James E. Cowen.

The legislation which created the Metropolitan Service District (now Metro) gave the Metro Council the authority to take over Tri-Met at any time. Metro representatives informed your Committee that such a takeover is not now contemplated. This report assumes Tri-Met will continue as an independent agency for the foreseeable future.

C. Basics of Tri-Met Finances

1. Current Authorized Revenue Sources

Tri-Met is authorized to obtain revenue from the following sources:

- a. Farebox.
- b. Payroll Tax on private business, up to 0.6 percent of gross payroll.
- c. Self Employment Tax, up to 0.6 percent of net business income (authorized by the 1981 legislature).
- d. Real Property Taxes. By constitutional mandate, any such taxes must have prior approval of the voters.

e. Revenue and General Obligation Bonds. Prior voter approval is required by statute.

f. Business License Fees. No prior voter approval is required. However, such fees may not be imposed upon any entity paying either a payroll tax or self-employment tax.

g. Income Tax. Such tax may be imposed, without prior voter approval, upon the entire taxable income of residents within the district, as well as non-residents deriving income from sources within the district, and also upon the net income of corporate or business entities. The maximum allowable rate for such a tax is one percent. Tax credits must be granted to entities also paying the payroll tax.

h. Oregon Mass Transportation Financing Authority (OMTFA). This state agency is authorized to issue revenue bonds and use the proceeds for the benefit of transit, without voter approval. The agency and Tri-Met are planning to use the proceeds of forthcoming bond issues to pay part of the cost of acquiring new buses (the 20 percent local match required by federal law).

Tri-Met may refer any revenue measure to the voters, and voters may place any such measure on the ballot by petition.

2. 1981 Oregon Legislative Changes

As a response to litigation over the applicability of the payroll tax to the self-employed, the 1981 legislature made certain limited changes in Tri-Met's taxing authority. It expressly authorized mass transit districts to impose a tax upon individuals having net earnings from self-employment. The maximum tax rate is the same as for the employer payroll tax, six-tenths of one per cent. Tri-Met estimates that its annual revenue from a self-employment tax will be \$1.9 million.

As a trade-off for the self-employment tax authorization, Tri-Met is required to reduce the area subject to any kind of tax to areas actually receiving transit service. A map showing such reduced boundaries is reproduced in the center of this report. Tri-Met estimated that this boundary reduction will result in an annual loss of payroll tax revenues of approximately \$500,000.

Thus, the estimated net effect of the extension of the tax to the self-employed and the contraction of district boundaries is an annual increase in revenue of \$1.4 million, at current payroll and employment levels.

In addition, the Oregon legislature has authorized an appropriation from the General Fund for aid to mass transit districts. The appropriation is intended to substitute for payroll taxes the district would receive if the State were not exempt from the payroll tax. Tri-Met will receive \$2.1 million over the two years of the 1981-1983 biennium from this appropriation. This is a one-time appropriation; its continuance in future bienniums will require further action by the legislature.

3. Current Year's Budget

Against this background we set forth in Tables 1 and 2 a summary of Tri-Met's Fiscal Year 1982 Budget. The data are taken directly from Tri-Met's published budget as approved June 29, 1981.

Table 1
OPERATIONS BUDGET
Fiscal 1982 (7/1/81 - 6/30/82)
(Figures in Thousands)

	<u>\$</u>	<u>\$</u>	<u>PERCENTAGE OF TOTAL*</u>
<u>RESOURCES</u>			
Operating Revenue:			
Farebox	24,118		30**
Charter	38		--
Transit Advertising	320		--
Total Operating		24,476	30
Payroll Tax		44,483	55
Federal Operating Subsidy		5,890	7
Federal Technical and			
Demonstration Grants		4,160	5
Interest Income		1,000	1
Refunds		450	--
Miscellaneous		50	--
Special Needs Transportation		1,400	2
Intra-Fund Transfer		<u>55</u>	<u>--</u>
Total Revenues		81,964	100%
Beginning Working Capital		<u>9,779</u>	
Total Resources		<u>91,743</u>	
<u>REQUIREMENTS</u>			
Operations:			
Administration	266		--
Transportation	37,547		46
Scheduling	624		1
Maintenance	18,870		23
Buildings and Grounds	1,208		2
Special Needs Transportation	0		--
Total Operations		58,515	72
Administrative and Support:			
Executive Office	215		--
Management Services	3,963		5
Finance	2,471		3
Planning and Development	4,095		5
Public Affairs and Marketing	3,013		4
Total Administrative			
and Support		13,757	17
Debt Service		1,900	2
Rideshare		240	--
Bus Capital Fund		20	--
Total Operations Expenditures		<u>74,432</u>	
Contingency		<u>7,532</u>	<u>9</u>
Total Expenditures and Contingency		81,964	100%
Ending Working Capital		<u>9,779</u>	
Total Requirements		<u>91,743</u>	

* Percentages are computed on a base of total revenues which equals \$81,964,000.

** Tri-Met stated that fares generate 32 percent of revenues. This figure results from using Total Operations Expenditures, which excludes contingency funds, as a base for calculating the percentage.

Table 2
NON-OPERATING FUNDS
Fiscal 1982 (7/1/81 - 6/30/82)
(Figures in Thousands)

	<u>\$</u>	<u>PERCENTAGE OF TOTAL</u>
Bus Related Capital Fund (detail below)	49,472	50%
Banfield LRT Fund (detail below)	46,626	47
Long Term Financing Fund	1,900	2
Rideshare/Vanpool Fund	935	1
Total	<u>98,933</u>	<u>100%</u>

CAPITAL BUDGET
Fiscal 1982 (7/1/81 - 6/30/82)
(Figures in Thousands)

	<u>\$</u>	<u>\$</u>	<u>PERCENTAGE OF TOTAL</u>
<u>BUS RELATED CAPITAL FUND</u>			
<u>Resources</u>			
Federal Grants	35,419		72
Oregon DOT Matching Funds	2,724		6
Lease Purchase Agreements (OMTFA)	11,309		22
Transfer from another fund	20		--
Total Resources	<u>49,472</u>		<u>100%</u>
<u>Requirements</u>			
<u>Vehicles</u>			
Articulated Buses	22,030		44
Standard Buses	11,400		23
Other	264		1
Total Vehicles	33,694		68
Equipment	7,391		15
Data Processing	842		2
Facilities (Land and Buildings)	5,755		12
Furniture	119		--
Contingency	<u>1,671</u>		<u>3</u>
Total Requirements	49,472		100%

BANFIELD LRT CAPITAL FUND

<u>Resources</u>			
Federal Funding	39,819		85
State Support	6,807		15
Total Resources	<u>46,626</u>		<u>100%</u>
<u>Requirements</u>			
Personal Services	860		2
Materials and Services	1334		3
Capital Outlay	42,203		90
Contingency	<u>2,229</u>		<u>5</u>
Total Requirements	46,626		100%

Tri-Met officials point out that the budget is "revenue-driven." Estimated expenditures are geared to the amount of revenue anticipated; to the extent actual revenue deviates from the expected, expenditures will be adjusted.

4. Changes in Federal Financial Assistance

A number of federal programs have provided financial assistance to Tri-Met in the past. Policy changes initiated by the Reagan Administration will probably diminish the amount of funds available from the federal government, particularly for direct operating assistance. The programs include the following:

a. Interstate Transfer Funding

Funds which would have been used for interstate freeways (such as the Mt. Hood freeway), are made available for other transportation projects under this program. This is a major source of money for the Banfield Light Rail Transit (LRT) project, and for the proposed Westside Corridor project. It is limited to capital expenditures. Funds become available as appropriated by Congress.

b. Section 3 Funds

This program provides funds for capital expenditures such as bus acquisition. It requires a 20 percent local match. Reductions in funding are planned for programs aimed at new rail projects; funds for bus acquisition should continue to be available.

c. Section 5 Funds

This program provides direct operating assistance. It requires a 50 percent local match from sources other than the farebox. Section 5 funds can also be used for capital projects, in which case a 20 percent local match is required. It is anticipated this program will be eliminated by 1986. Tri-Met's 1981-1982 budget anticipates federal operating assistance of \$5,890,000, 7 percent of its budget. Thus loss of these funds will have a significant impact.

d. Section 6 and 8 Funds

These are federal grants for particular demonstration projects and technical studies. They are expected to continue to be available.

e. Federal Aid Urban Funding

Tri-Met has not received funds from this program for several years; it will be ended in 1983.

III. DISCUSSION

A. Is There a Revenue Shortage Requiring Substantial Changes?1. Interrelationship of Anticipated Revenue Shortages and Service Levels

Is Tri-Met facing a serious revenue shortage? If so, does financing this shortage require some significant new source of revenue or can it be met some other way? The term "revenue shortage" is used here to mean a situation where revenues available to Tri-Met from existing sources would be inadequate to meet the costs of operating the system and making necessary capital acquisitions.

Of Tri-Met's current principal sources of operating revenue, only the revenue from fares would naturally tend to increase with expanded service levels as more people take advantage of the improved service. Because fares provide only about 30 percent of operating revenues, it is evident that increases in service will require additional operating funds, either from existing sources or new sources. Although a large proportion of the capital expense of new improvements may be provided by the federal government, at least the required 20 percent matching funds must be raised locally.

Because revenue requirements depend upon service levels, it is necessary to decide upon appropriate levels of service. Your Committee's views in this regard can be found in Section A. 3. below. First we examine Tri-Met's plans for service improvements in the near future.

Tri-Met's overall plan for service improvements is set forth in its Five Year Transit Development Program - Fiscal Years 1981-1985 (TDP). This was adopted by the Tri-Met Board of Directors June 16, 1980, as "a means of striving to meet Tri-Met's responsibility to the Region, establishing guidelines for improving both transportation policy and service through 1985."

The TDP further states:

"Tri-Met must recognize its responsibility as a public agency to develop not only a program of objectives that will meet the goals of the agency, but a dynamic plan reflecting responsiveness and accountability to the needs of the public. The plan outlines an ambitious program of service improvements and expansion, designed to meet the community's needs for transit and transportation services. Financial projections however indicate that current sources of revenue will prove inadequate to support these service improvements by fiscal 1982. While the region has not yet adopted a financing formula to ensure sufficient funding for transit's expanding role, Tri-Met must realistically define its ability to meet these demands and the costs involved, and identify resources and revenues required" (emphasis added).

The TDP goals are to:

- *Increase ridership to 230,000 weekday passengers by 1985 (from an average of 132,633 passengers now);
- *Initiate light rail service between Gresham and Portland;
- *Expand north-south service in East Portland and East Multnomah County;
- *Refine westside timed-transfer service;
- *Improve transit accessibility across the Columbia River; and
- *Increase carpool use to ten percent of the commuting public.

Major capital improvements anticipated include:

- *Expand to 886 buses, including 125 articulated buses;
- *Locate Park and Ride centers throughout Tri-Met's district;
- *Use electric trolley buses on the five most heavily used routes; and
- *Provide rail and cars for initiation of light rail service in 1985.

Tri-Met's staff has identified three different "phasing plans" for implementing service improvements proposed in the TDP.

Phase I is a minimal rate of improvement. It involves making only those improvements to which Tri-Met is already committed. These include the Central and Eastside Transit Improvements Program (CETIP)² by June 1982, and the Banfield LRT line by 1985. It is estimated this approach would not require additional revenue until 1984 or 1985.

Phase II contemplates service improvements in the City and southeast and southwest suburbs, and implementation of all planned capital projects except park and ride lots. A new source of capital funds would be required soon.

Phase III is the major service expansion alternative. It contemplates completion of the entire TDP by 1986 or 1987. It would require new and substantial sources of both capital and operating revenues soon.

As your Committee discussed the TDP with Tri-Met representatives, it became apparent that the TDP is not a fixed five-year plan. Tri-Met officials look upon the TDP as a general outline of improvements to be made in the future. The TDP indicates the particular improvements to be installed and the sequence with which they will be instituted. The timing of the improvements will depend on the availability of funds.

2. Financial Impact of Service Level Alternatives

In order to make more accurate judgments about Tri-Met's financial requirements, your Committee sought specific financial projections for the TDP under particular service assumptions and alternatives. In December 1980 Tri-Met provided the TDP financial projection. Although these were useful figures, they were only one projection based on one set of assumptions about underlying variables.

Long-range financial projections for Tri-Met are difficult to make with great accuracy, because Tri-Met's costs and revenues depend on a number of factors which may vary significantly and which are more or less beyond Tri-Met's control. These variables include (among others) wage rates, which are established by union negotiations; the level of inflation, which affects costs; and the level of economic activity in the area, which affects payrolls and, therefore, payroll tax receipts. Your Committee was interested in not only Tri-Met's best guess about TDP costs and revenues, but also the extent to which changes in the variables would affect the projections.

2. CETIP is a collection of limited service improvements which are part of the TDP. It can be thought of roughly as the beginning of a true grid system, as opposed to the current downtown-oriented radial system.

Tri-Met did not have such detailed alternative projections.³ Your Committee did not have the expertise to develop them independently. But Tri-Met did provide to us a detailed staff memo for CETIP. CETIP is only a part of the TDP, but it is a major part. The CETIP projections included nine different scenarios derived from different assumptions about certain variables. We offer the following condensation of this memo in order to provide a sense of the great variation which is possible and because we believe these projections confirm in a rough way the more specific figures for the TDP which Tri-Met has given to us.

Table 3 deals with the financial impact of operating without CETIP and of implementing it, in each case under optimistic, average, and pessimistic assumptions (principally regarding the rates of wage and payroll tax increases). Implementing the full TDP would be a larger project and would increase the revenue-cost difference. The two extremes really are extremes; they are intended to stake out the outer limits of the reasonably possible. The average is an arithmetic mean computed by the Committee; as such it does not necessarily state the most probable position but does provide a useful statement of the midrange between the alternatives. Dates are fiscal years ending June 30.

3. This is perhaps understandable in view of past reliance on federal support, an expanding economy which generated substantial growth in payroll tax receipts, steadily increasing ridership and fare increases which produced steady increases in farebox receipts, and the use of "revenue-driven" budgeting which planned for adjustment of service levels to deal with fluctuations in revenues. Note also that in trying to identify particular numbers to use in this report we are trying to hit a moving target. Tri-Met is continually revising and updating its assumptions and the financial projections which result.

Table 3
COMPARISON OF ALTERNATIVES BY FISCAL YEAR
COMBINING OPERATING AND CAPITAL ACCOUNTS
NET REVENUE OVER COSTS
(In Thousands of Dollars)

<u>Alternative</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>Cum. Net</u>	<u>Plus Working Capital 6/30/80</u>	<u>Ending Position 6/30/85</u>
<u>No CETIP</u>								
Optimistic	1327	3261	3467	2933	(309)	10,679	14,700	25,379
Average	1327	1411	160	(2523)	(8651)	(8276)	14,700	6424
Pessimistic	1327	(438)	(3148)	(7979)	(16,993)	(27,231)	14,700	(12,531)
<u>Implementing CETIP 9/82</u>								
Optimistic	1327	3354	(2192)	(5386)	(7171)	(10,068)	14,700	4632
Average	1327	1504	(5644)	(10,116)	(15,945)	(28,874)	14,700	(14,174)
Pessimistic	1327	(345)	(9096)	(14,846)	(24,719)	(47,679)	14,700	(32,979)

YEAR IN WHICH DEFICIT FIRST OCCURS

<u>Alternative</u>	<u>Ignoring Beginning Working Capital</u>	<u>With Beginning Working Capital</u>
<u>No CETIP</u>		
Optimistic	1985	No deficit
Average	1984	1986
Pessimistic	1982	1985
<u>CETIP 9/82</u>		
Optimistic	1983	1985
Average	1983	1984
Pessimistic	1982	1984

Table 4 shows the portion of the foregoing attributable to capital costs. These costs relate almost entirely to the purchase of standard and articulated buses and to the Banfield LRT. Tri-Met is committed to them. Therefore they are constant with all alternatives.

Table 4
NET CAPITAL COSTS FOR ALL ALTERNATIVES
(In Thousands of Dollars)

<u>Fiscal Year (6/30)</u>	<u>Capital Revenues</u>	<u>Capital Costs</u>	<u>Difference</u>
1981	3,261	6,325	(3,064)
1982	87,315	89,870	(2,555)
1983	81,014	83,994	(2,980)
1984	68,950	74,528	(5,578)
1985	101,297	107,621	(6,324)
			(20,501)

Several conclusions can be drawn from the foregoing. In all cases, including the most optimistic projections coupled with absolutely minimal service expansion, Tri-Met is facing an annual revenue shortage by 1985. At the other extreme, implementing CETIP coupled with pessimistic assumptions, Tri-Met faces a revenue shortage by next year, and absorbs its working capital reserve by 1984. Although the severity and timing of the shortages can be affected by delaying capital expenditures or by borrowing to fund capital expenditures, the basic trend is toward an expanding shortage, attributable to an ever increasing gap between operating costs and operating revenues. Tri-Met's recent decisions to defer implementation of CETIP initially from September 1981 to January 1982, and later to June 1982, indicates that the shortage has already arrived. Remember the foregoing deals only with CETIP versus no CETIP. If the TDP is implemented beyond CETIP, the revenue shortage will be worse. Stated generally, Tri-Met faces a very severe inadequacy of revenue under any probable course of events.

We have described figures involving CETIP because the alternatives and assumptions were available and clearly stated. Your Committee is more concerned with the TDP as a long-range program for Tri-Met's growth throughout the metropolitan area, but no such detailed alternative projections were available for it. The initial shortage described in the TDP itself was \$44 million; in December 1980 Tri-Met informed your Committee that the shortage would be around \$30 million. In October 1981, we asked another well-placed source at Tri-Met for a "most probable" figure representing the shortfall if the TDP was fully implemented by 1986: the answer was "in excess of \$30 million" and "probably between \$30-\$50 million."

So the Committee has adopted as a working conclusion that full implementation of the TDP by 1986 will result in a revenue shortage of \$40 million over the next five years, unless new sources of revenue are implemented.

3. What is an Appropriate Program of Service Expansion and What Revenue Requirements Result?

A conclusion about desirable service levels requires some preliminary analysis of the desirability of mass transit generally and the advantages to be obtained from expanding Tri-Met's service levels.

As noted earlier, the City Club has gone on record in favor of an expanded role for transit. Your Committee strongly agrees with this position. We set forth below a number of arguments which have frequently been made in support of and in opposition to transit. This portion of the report is not intended to be a comprehensive study of the need for transit in the community; such a study was beyond the scope of our charge. Its purpose is to familiarize the reader with the issues involved by presenting arguments which have been advanced by proponents and opponents and to suggest why the members of the Club, and this Committee, have chosen to support transit.

a. Arguments in favor of mass transit:

1. Lower cost. The cost per passenger mile for a well-used transit system is less than by the private auto.

2. Lower overall capital investment. Expansion of the transit system is cheaper than the street and highway improvements that would be required to transport an equivalent number of people by auto.

3. Improved energy conservation. The energy consumption per passenger mile is less with a well-used transit system than with the private auto.

4. Reduction of dependence on imported oil. The energy referred to above is derived from petroleum. A shift from cars to transit results in an overall reduction in consumption of petroleum.

5. Support of land use goals. Transit helps meet the land use goals of reduced sprawl and increased density in urban areas. It works better in denser urban areas, and those who wish to use it will get better service in the more dense areas. Consequently, the availability of good transit encourages the use of underused parcels in the urban developed area. Good transit service reduces the number of cars that must be accommodated downtown, and therefore reduces the need for increased street and highway investment downtown, and increased parking facilities.⁴ It also reduces traffic congestion, thereby improving access to downtown.

6. Benefits to the disadvantaged. Transit provides transportation services to those persons who are unable to use private automobiles, such as the aged, handicapped, and poor.

7. Reduced air pollution.

8. Transit provides an alternative to the car for those people who usually depend on cars but whose cars are unavailable for some reason.

b. Arguments in opposition to mass transit:

1. Freedom of movement. The American sense of individual freedom is related to mobility. Because of the fixed route structure and schedules of transit, it cannot provide the flexible mobility that cars can.

2. Financial Inequity. It is difficult to develop methods of financing public transportation that are both equitable and politically acceptable.

3. Voter resistance. Because of tight economic conditions, and the financial pressures on municipalities, there is a great deal of voter resistance to increased expenditures for transit.

4. Unpopularity. Many people just don't like to ride buses. They don't like the crowding, and they find using the bus time-consuming, physically uncomfortable, and otherwise unpleasant.

5. Subsidization. The direct users of transit in Portland are a small percentage of the total population. It is unreasonable to impose a tax on the whole metropolitan area for the benefit of a few.

4. In 1981, providing one parking space on a surface lot cost \$1,750; in a structure above ground level from \$5,000 to \$12,000; and in a structure below ground level \$14,000.

As mentioned above, your Committee, consistent with previous City Club positions, favors an expanded role for transit in the metropolitan area; we believe this best serves the interests of the entire community. By taking this position we do not dismiss the opponents' arguments as being without merit, nor do we accept all of the proponents' arguments without reservations. But on balance we conclude that the proponents' overall case is far more persuasive. In this regard there are several comments we hope will clarify possible misconceptions about the goals of expanded transit.

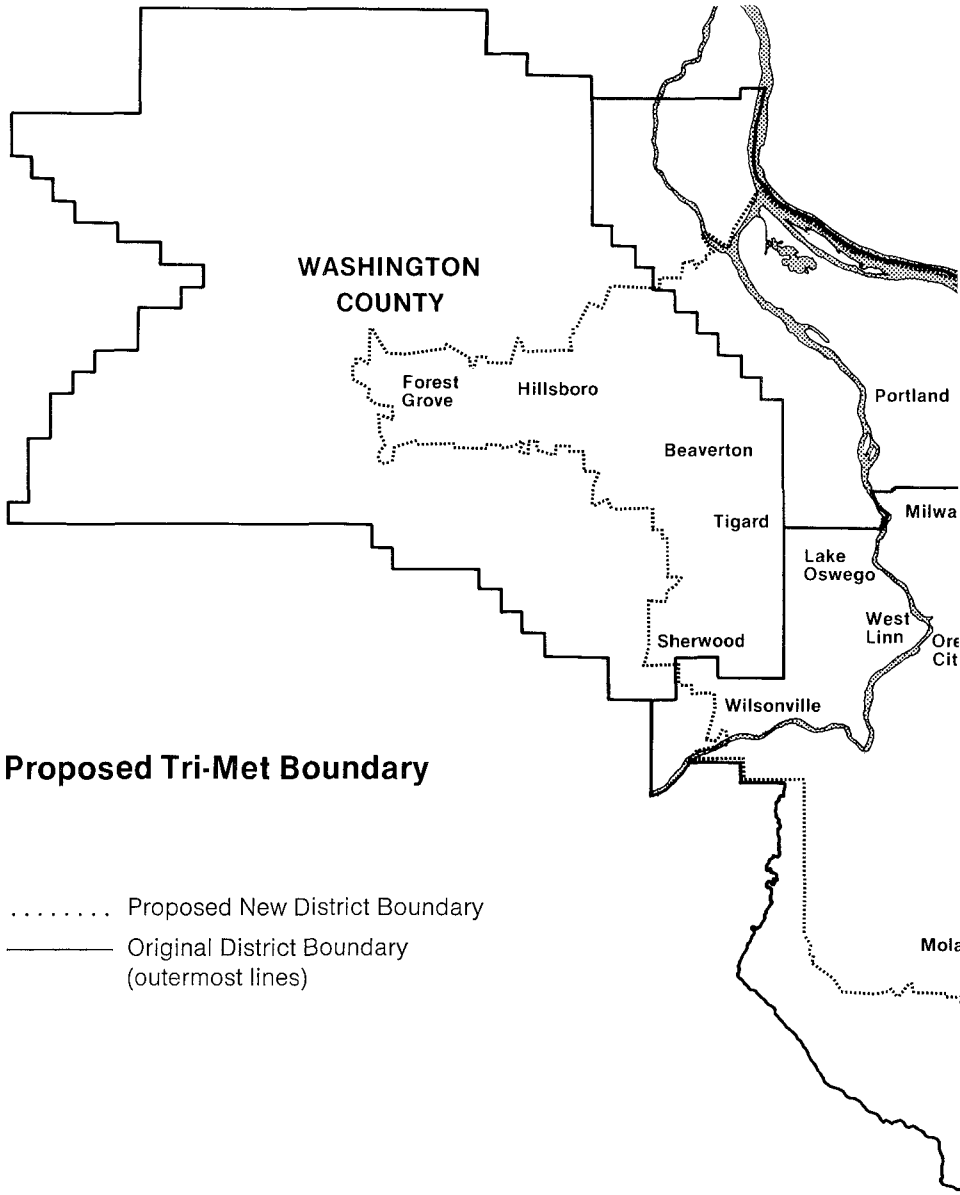
First, the argument is not black and white, transit versus cars, one to the exclusion of the other. The goal of transit is not to eliminate the auto; it is to increase the use of mass transit in the urban area and to decrease the use of cars. Because of the relatively small number of trips made by transit-users (five percent of the total trips), a very substantial increase in transit usage can be achieved with consequent dramatic benefits to the community without significantly changing the transportation habits of 80 to 90 percent of the population. Those people to whom the freedom of movement cars provide is important and who are uncomfortable riding the bus will be perfectly free to continue to use their cars. They should be enthusiastic supporters of transit, for among the many benefits increased transit use provides is reduced street and highway congestion.

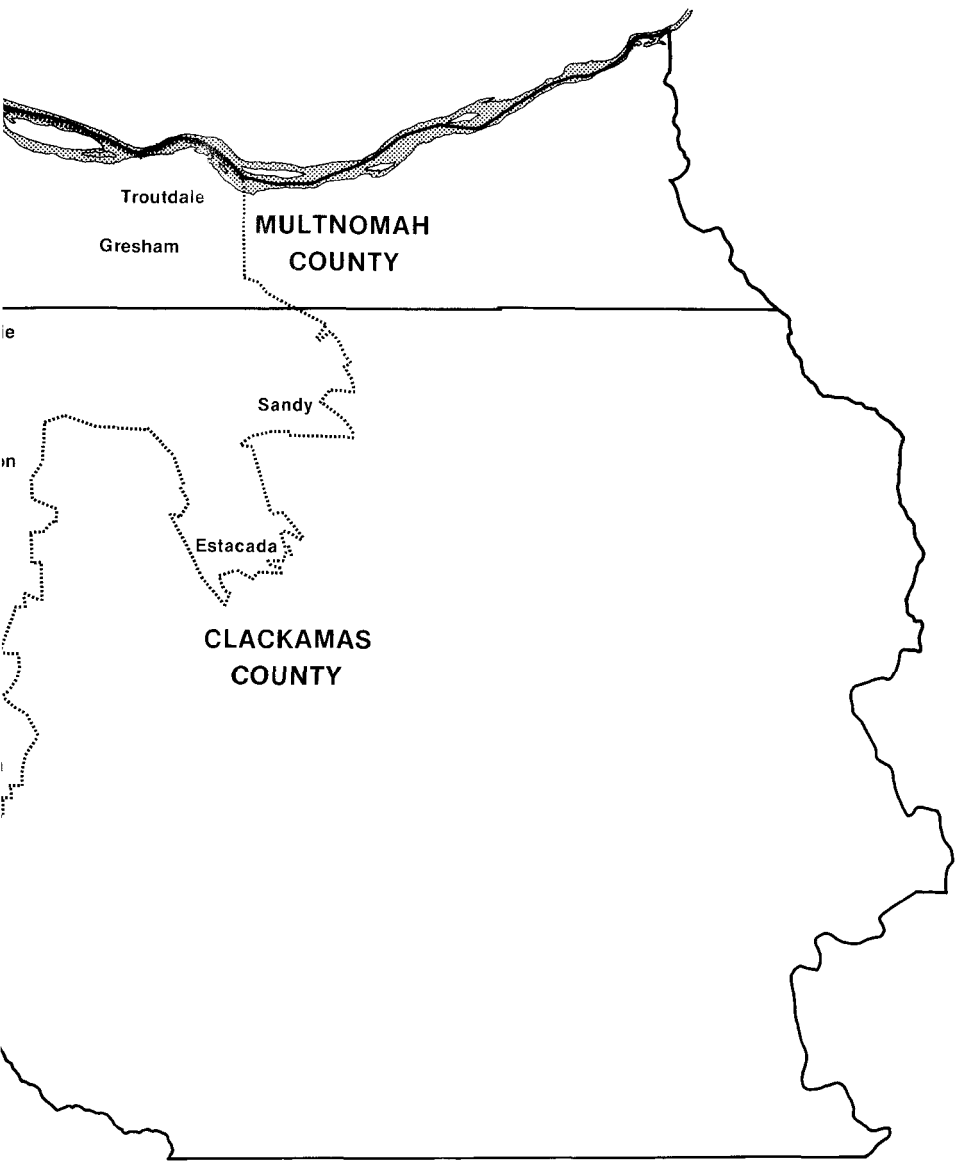
Second, to oppose transit improvements because of a perception that a majority of voters don't support it is not a very persuasive argument. The ultimate decision will be made by the voters and by their elected representatives. But it is not at all clear that the voters are unwilling to support expanded transit. In any event, the decision should be an informed one. It can be demonstrated that there are important benefits to be obtained from an increased role of mass transit in the metropolitan area. An aggressive effort to explain these benefits would have a reasonable chance of persuading people of the wisdom of that course of action. (In this regard, however good Tri-Met's general advertising has been, its public relations effort has been weak in explaining the benefits of transit to the community.)

Finally, because the extent of public use of transit depends on the quality of service provided, increased use will only follow improvements in service. These service improvements require the investment of public funds, beyond the money generated from fares. It is only after the initial public investment in an improved system that ridership can grow and therefore demonstrate visibly the latent demand for an improved system.

Tri-Met has experienced substantial increases in ridership following fuel crises. That demand has at times strained capacity. Notwithstanding the current softness in gasoline prices, they will no doubt resume their climb in the near future. For this and other reasons, people will want to ride Tri-Met. Financial support is required now to encourage this trend and provide necessary capacity.

For all of these reasons, your Committee shares the Club's position that in the long run, a healthy, efficient, and comprehensive transit system is essential to the prosperity and livability of the Portland metropolitan area. To provide such a system requires that a well-planned, aggressive program of transit expansion be started now.





Tri-Met's Five-Year Transit Development Program (TDP) sets forth just such an expansion program. The TDP represents a concerted effort by Tri-Met to respond to an anticipated future demand for increased service, and to stimulate demand by offering improved service. While it may not satisfy all critics, the TDP offers a cogent plan for Tri-Met. Your Committee adopts this program and its financial requirements as the foundation for recommending additional revenue sources.

B. Analysis of Potential Revenue Sources

1. Particular Comments on Fare Levels

In coming to terms with transit financing, it is essential to understand that municipal transit cannot be operated as a profitable business. This is not to say that most techniques used in business to insure efficiency and effectiveness cannot be used to advantage. But transit services cannot be sold in the marketplace at a price which will cover the costs of providing the service, much less return a profit. This has been proven historically by the failure of private transit companies. The reasons Portland and other cities throughout the world maintain transit systems at public expense is that such systems provide real and substantial benefits not just to the riders but to the community in general. This being so, we must approach the question of financing transit not with the attitude that we are subsidizing a failed private business for the benefit of a few bus riders, but that we must finance a government service which benefits the entire community. This is not substantially different from financing street repairs, street lighting or police and fire protection. As in these areas, if a particular benefit is conferred on an identifiable segment of the populace it may be appropriate to impose a special charge (fares) to help defray the costs (as with user fees and special assessments), but the overall responsibility is community-wide.

Because of this, we disagree with the Tri-Met Board's policy regarding fares. The Board has announced a goal of having fares produce 40 percent of Tri-Met's operating revenues; they now produce about 30 percent. A policy of setting fares to produce a stated percentage of revenues means that the effect on ridership is largely ignored. But if Tri-Met is to provide to the community the benefits which flow from increased transit usage then the effect on ridership must be a major factor in fare policy. Rather than gear fares to a percentage of revenues, a preferable fare policy is to attain the maximum revenue possible from fares consistent with the goal of expanding ridership.

Thus any decision on fares should take into account the cost of alternative transportation and other factors influencing ridership. The private bus companies failed because they were trapped by declining ridership, leading to declining fare revenue, which resulted in fare increases which further depressed ridership and revenue. Tri-Met has not reached this point yet. But we think the decline in ridership over the past year is significant; it is due in substantial measure to the level of fares rising as compared with the cost of driving. Although the cost of riding the bus is still well under the cost of driving for most people, the increase in fares and easing of gasoline price pressures have reduced that difference. Perhaps even more important than the facts, people may perceive a narrowing of the difference and choose to drive.

The best fare level will always be difficult to ascertain. We think it is generally lower than the Tri-Met Board believes. In any event, for the good of the community, Tri-Met should err on the low side. Increases in fares to meet the projected revenue shortages are inappropriate.

2. Criteria for Evaluating Revenue Sources

Your Committee evaluated many potential revenue sources, including those already available to Tri-Met. The Committee identified and generally applied several criteria to each revenue source considered. These criteria included the following:

- Equity - the extent to which people who benefit pay;
- Suitability for funding capital or operating costs;
- Revenue-raising effectiveness - yield potential compared to other sources of funds;
- Administrative efficiency - the ease with which the revenue source can be established, computed and collected;
- Stability - the year-to-year dependability of the source;
- Effect on use of autos - the incentive/disincentive to use transit vs. autos;
- Political acceptability - the likelihood that a new revenue source or changes in an existing one will be accepted and supported by voters and elected officials;
- Impact on other jurisdictions' revenue sources;
- Progressivity/regressivity - the relation of the burden of the revenue source to the means of the person paying;
- Unfair discrimination - between those who are subject to the tax and those who are not.

3. Analysis of Potential Revenue Sources

Your Committee examined the following potential revenue sources.

- a. Fares
- b. Payroll tax (including self-employment tax)
- c. Charges on motor vehicle users
- d. Income tax
- e. Real property tax
- f. Retail sales tax
- g. Specific excise taxes
- h. Per capita tax
- i. Downtown building tax
- j. Lotteries
- k. Land banking and value capture
- l. Bonds
- m. OMTFA bonds/leasebacks.

A discussion of how the criteria apply to them follows. Criteria pertinent to each source are discussed.² We have not attempted to judge the

5. Estimates of the amount of revenue which could be raised by auto registration fees, personal income taxes, and a per capita tax are based on information provided by Metro for recent years. The figures apply to the Metro district which is somewhat smaller than the Tri-Met district, but comparable.

political acceptability of most alternatives, primarily because of our lack of qualifications to do so. Political acceptability is a difficult thing for anyone to judge, and whatever judgment might now be made is susceptible to change through public discussion or the passage of time. Where a political factor was obvious or was emphasized by witnesses, we have commented on it.

It should also be noted that some of the new revenue sources could only be adopted upon passage of a Constitutional amendment, and therefore require a vote of the people. This is another reason why a revenue source for Tri-Met must have substantial popular support.

a. Fares

Advantages:

- Fares are equitable in that the rider pays directly for the ride.
- They are administratively easy to calculate and collect.
- Fares raise substantial amounts of revenue.
- They are stable relative to economic fluctuations, but do vary with ridership.

Disadvantages:

- Fares are regressive.
- Fares are a disincentive to using transit.

b. Payroll and Self-Employment Taxes

Advantages:

- The tax is easily computed and collected.
- The payroll tax is a very productive source of revenue.

Disadvantages:

- It is argued that a payroll tax is equitable because a good transit system is believed to benefit employers by providing them with broader access to the metropolitan labor pool. But the direct benefit to a particular taxpayer may be doubtful.
- Cost of the payroll taxes may be passed along in the cost of the products or services provided by the employer, so that the ultimate cost is borne by a consumer who may or may not derive any special benefit from transit services.
- Other payroll taxes, such as federal and state withholding and F.I.C.A., are already very substantial and getting heavier.

c. Charges on Motor Vehicle Users (Vehicle License Fees and Other Charges)

This category includes a gasoline tax; increased vehicle license fees; other vehicle taxes; parking charges in selected areas such as downtown; bridge, tunnel and highway tolls; surcharges on parking; and traffic citations. Your Committee focused on the increased vehicle license fee, and the comments relate particularly to that.

Advantages:

- It is equitable, because motor vehicle users benefit from use of transit, through reduced congestion, more available parking, reduced street construction and maintenance expenses, less air pollution, and the availability of transit service when their cars are not available.
- It is quite broad-based.
- Compared to those of other states, Oregon's vehicle license fee is relatively low. There is, therefore, some room to increase it.
- It is administratively simple, being easy to compute and collect.
- It is a definite, visible, limited amount. The payer can see it as a clear contribution to the transit system, so some of the objections to more indefinite taxes may be obviated.
- Some of these charges, such as registration fees, are fairly stable, and flexible in that rates can be easily adjusted.

Disadvantages:

- There are substantial competitive problems with other jurisdictions which use these charges for funds for highways.
- These charges can be politically unpopular, as evidenced by recent referenda.
- They are usually regressive because they are a flat rate imposed without regard to income or wealth.

d. Personal Income TaxAdvantages:

- A Tri-Met tax can be added to the state income tax and is therefore administratively simple.
- By its nature, an income tax has the potential of being reasonably progressive, because it is geared to income.
- Since it is broad based, the income tax equitably spreads the transit burden over the metropolitan area.
- It would reach a relatively broad range of people, and therefore be less discriminatory than many of the special purpose taxes and the payroll tax.
- Although practically none of the persons interviewed by the Committee was optimistic about the political success of any new tax, practically all felt that if anything could succeed, an income tax could. When asked to pick the type of new revenue source which they felt would be both "best" as a source of revenue and also politically acceptable, almost all chose the income tax.
- An income tax is flexible in that it can be easily adjusted through rate changes and changes in the definition of the base.
- It is very effective at raising revenue.

Disadvantages:

- The tax may tend to discourage people from residing or working in the taxing jurisdiction, and it may tend to discourage businesses from locating in the taxing jurisdiction. However, the seriousness of this effect depends on the rate of the tax, and the significance of other factors, such as accessibility to housing, labor pool, transportation, and the other benefits of living and working in a city.
- Such a tax is sensitive to fluctuations in economic activity, an undesirable characteristic.

e. Real Property Tax

Advantages:

-By national comparison, Oregon real property taxes are relatively low. Therefore if a tax for a particular purpose can be effectively advocated to the voters, there may be room for increase.

-Administration is easy and already in place.

-The equitable considerations here are blurred. There is no clear relationship between real property values and transit. Yet persons residing in the metropolitan area obtain the general benefits of transit. Since most of them pay real property taxes, either directly if they are homeowners or indirectly if they are renters, there is some correlation between the tax and general benefits received. Improved transit does generally tend to improve property values and the marketability of homes. It tends to encourage people to remain in the city.

Disadvantage:

-Generally politically unpopular, although recent levies for particular purposes have received voter support.

f. Retail Sales Tax

Advantage:

-As a metropolitan area-wide tax, a sales tax would spread part of the cost of transit broadly over the people benefitted.

-Sales taxes are widely used and accepted elsewhere in the country.

-The tax can be an excellent revenue raiser.

-It is relatively stable, and rates are easily adjusted.

Disadvantages:

-Such a tax is unanimously considered politically unfeasible in Oregon.

-The administration of a Tri-Met sales tax would be difficult; it requires a new collection system.

-It creates price differentials between areas within and without the taxing district, thereby penalizing merchants within the taxing district.

-It is regressive, because imposed without regard to wealth or income.

g. Specific Excise Taxes

These taxes are specific surcharges imposed on various products or services.

Advantages:

-The equitable considerations vary. The relationship of the tax to transit will depend on the type of product against which the tax is assessed.

-Excise taxes are politically less controversial.

Disadvantages:

- Such taxes raise the cost of the product taxed and therefore distort the market function.
- They are less effective at raising substantial revenues.
- Excise taxes tend to be regressive, though this can depend on the particular item taxed.

h. Per Capita Tax

This tax is simply a flat charge assessed against each individual residing within the taxing district. It is usually collected as a periodic surcharge on a utility bill or other service charge which tends to be imposed on most people in the district.

Advantages:

- It is administratively simple.
- It can raise a substantial amount of revenue with relatively little pain to the individuals involved: \$8.52 per person per year would raise approximately \$5 million for Tri-Met.
- Because the tax would be a specific charge for an identified service, it might more readily receive political support.
- It is equitable, as one of the most broad-based taxes discussed here.
- The resources are very stable, as they are not subject to economic fluctuations.

Disadvantages:

- The tax is regressive.
- It would be new to this area.

i. Downtown Building Tax

This tax would be imposed on persons owning real property downtown, based on the square footage owned by them. It could be passed along to tenants.

Advantage:

- The equitable justification is that downtown property owners tend to have employees who ride transit more than those located elsewhere in the metropolitan area and therefore are most benefitted by transit. However there is no direct connection between a particular building owner and the extent of transit benefits received.

Disadvantage:

- It would put added financial burdens on businesses locating downtown at a time when the City's goal is to encourage the growth of downtown.

j. LotteryAdvantages:

- Lotteries can raise substantial amounts of money, although experience in other jurisdictions has shown they are seldom as lucrative as first expected.

-A lottery has the unique characteristic of being voluntary; only those who choose to purchase a ticket pay funds to the government. This is an advantage in achieving political acceptance. It is a negative attribute to those who feel the cost of government services should be spread broadly across the populace.

Disadvantages:

-A lottery would be inequitable, as the burden would have no relationship to the benefit of transit services.

-Looked at as a method of gambling, public lotteries are unfair. The "house" percentage is high relative to most other types of gambling, with the result that the risk of loss when compared to the amount of potential return is very high.

-Many people have moral objections to lotteries.

-They are regressive.

-Lotteries are contrary to the state constitution and well-established public policy.

k. Land Banking and Value Capture

These are two different techniques for attempting to capture a portion of the increase in value attributable to transit improvements and returning it to the transit district responsible for creating it.

Land banking involves purchasing land by the transit district well in advance of the institution of the improvement. That land is held during the course of construction, and then sold or developed by the transit district.

Value capture is essentially a real estate tax imposed on the difference between the value of the property in question before the transit improvement and the value after the transit improvement.

Advantages:

-These sources of revenue are very equitable, in the sense that the person who receives the benefit of the increase in value by transit pays for it.

-Both methods can be very effective at raising revenues, but there is some speculative risk with land banking.

-These devices are most appropriate to defray the capital cost of a particular improvement, rather than as sources of general revenues.

Disadvantages:

-They are administratively difficult.

-These techniques involve competition with other local jurisdictions.

-Land banking involves a large capital outlay in the beginning to acquire land.

l. Bonds

Advantage:

-Bond issuance is an accepted way of acquiring funds to purchase capital assets which will have a useful life of many years. By repaying the bonds over the life of the asset, the cost of the asset

is incurred periodically as it is used rather than in one lump sum when the asset is acquired.

Disadvantages:

- Interest rates fluctuate. At various times high rates may render a proposed bond issue uneconomic.
- Strictly speaking, bonding is not a source of revenue, because the funds borrowed must be repaid. It is a technique for deferring costs and, because of interest charges, increases costs in later years.

m. Oregon Mass Transportation Financing Authority (OMTFA)
bonds/leasebacks.

Advantages/Disadvantages:

- Enables Tri-Met to take advantage of the state's favorable credit reputation.
- Avoids the need to get voter approval of direct Tri-Met bond issue.
- Because of fixed contractual relationship between Tri-Met and OMTFA, the economic effect is the same as if Tri-Met issued the bonds directly. The same considerations apply as with bonds issued directly by Tri-Met.

C. Integrated Transportation Tax

An integrated transportation tax has some attractive characteristics, and was endorsed in principle by a number of persons interviewed. Because of its complexity and political difficulties, we cannot recommend it as a solution to Tri-Met's immediate needs, and we have not subjected it to the analysis above. We describe it to encourage public discussion.

The integrated transportation tax involves a new or expanded tax, the proceeds of which would go into a common fund to be used to assist all forms of local transportation, although particularly highways, streets and transit. This tax reflects the fact that auto and transit are not isolated methods of transportation but are interrelated; both are methods of achieving the common goal of transporting people and goods. Expenditures for streets and autos benefit transit by increasing the speed of traffic flow and by providing design benefits to transit such as heavy duty paving, express lanes, curb loading turnouts, and left turn refuges. Expenditures to improve transit benefit autos by reducing congestion and bus interference with auto traffic.

The current system has separate agencies with separate sources of revenue responsible for streets and transit. The result is a tendency toward protection of each agency's interests, and an increase in the difficulty of having decisions made on the basis of an overall judgment of what is best for the community. The Portland area had relatively good cooperation between auto and transit interests in the past, but the relationship has been not without strain and has been achieved in spite of the divisive effects of the system.

Roughly, the integrated structure would involve the adoption of a new revenue source which would be allocated between streets and transit by some independent governmental agency such as Metro. The existing structure would not necessarily be eliminated; the integrated tax could be an additional discretionary source.

Critics of the idea made the following points. There are political difficulties in adopting any new tax. In addition, the result would be to diminish the autonomy and resources of existing agencies, and therefore could be expected to engender objections from them and from the contractors and suppliers which are benefitted by the existing structure. Since the integrated tax would expand the powers of Metro (or whatever agency was given administrative responsibility), it might generate friction with and opposition from affected local governments.

Notwithstanding the objections, the Committee believes the idea is worthy of serious consideration.

D. Areas of Potential Cost Savings

Your Committee decided it would be appropriate and consistent with its charge to identify Tri-Met practices which might be changed to result in a significant savings in costs. No one practice nor all of them combined would produce sufficient savings to offset the need for increased revenues. If Tri-Met can aggressively do whatever is possible to keep down costs, it will improve the public perception of Tri-Met as being cost-conscious, therefore making approval of a new revenue source more likely.

1. Union Areas

A number of the cost saving possibilities relate to practices which are governed by Tri-Met's current contract with the Amalgamated Transit Union (Local 757). In its early years Tri-Met's management was less successful in bargaining than it might have been. As a result, the union obtained some very favorable contract provisions at the expense of the public. In the last round of contract negotiations, Tri-Met was able to improve its position on some of the issues, such as permitting part time drivers. While the legitimate interests of Tri-Met's labor force should be recognized and protected, Tri-Met's constituents are all the citizens it serves. Tri-Met's duty is to keep costs as low as possible, while not jeopardizing its ability to attract a well qualified work force. Witnesses we spoke with were confident that aggressive bargaining by Tri-Met could lead to improvements in these areas.

a. High Hourly Rate

The existing union contract provides for an hourly rate for Tri-Met Union employees which is the sixth highest in the country. Tri-Met intends to negotiate a contract which will restrict increases to a level which will cause local wage rates to be closer to the national average. To some extent this has occurred by limiting wage rate increases in 1981 to a maximum of a dollar an hour per year.

b. Absenteeism

Some progress has been made in reducing absenteeism among Tri-Met's labor force. The rate has been cut from 18 percent three years ago to around 15 percent. Tri-Met's goal is to reduce that rate to 10-12 percent. A one percent reduction in absenteeism results in an annual saving of approximately \$500,000 for Tri-Met.

c. Use of Part Time Drivers

Earlier contracts prohibited the use of part time drivers. In the latest round of contract negotiations management was able to obtain a contract which permits hiring some part-time drivers. The number of drivers required during the middle of the day is much less than the number needed during the morning and evening rush hours. If all of the drivers are full time, it means that they cannot all be used during the mid-day slack period. It is far more convenient to hire part-timers to deal with the surplus need for drivers during the rush hours. Tri-Met has indicated that it generally gets better performance from part-time drivers than from full-time drivers, and is seeking the contract flexibility to hire as many part-time drivers as it needs.

d. Subcontracting Maintenance

The current labor contract prohibits subcontracting out certain types of bus maintenance jobs. The contract also requires that diesel mechanics be hired from within Tri-Met. The net effect of these provisions is to require Tri-Met to do all of its maintenance work in-house, and to maintain an apprenticeship program to train mechanics to perform this type of service. These requirements impair Tri Met's efficiency and their elimination is sought.

2. Non-Union Areas

a. Electrification of Bus Routes.

Several of our witnesses strongly advocated converting from diesel buses to electric trolley buses. These are conventional rubber-tired buses, which have electric motors run by power obtained through overhead wires. Since capital funds could probably be borrowed, the principal question is whether those costs, amortized over the useful life of the system, would be greater or less than the costs of retaining the existing diesel bus system.

b. Mainstreaming the Handicapped

Section 504 of the Rehabilitation Act of 1973 (and other federal legislation) required transit companies which received federal subsidies to make special efforts to provide transportation that handicapped persons can use. The goal of the new regulations was to "mainstream" the handicapped; that is, enable them to use the regular bus system.

A lawsuit by the American Public Transit Association successfully challenged those regulations. In July 1981 the U.S. Department of Transportation adopted new interim regulations which returned to the original concept of local flexibility, allowing each district to develop its own method of providing service to the handicapped, subject to federal guidelines.

The original regulations would have required Tri-Met to retrofit part of its existing fleet of buses with wheelchair lifts at a cost of \$21,000 per bus and to purchase lifts on new buses at an additional cost of \$12,000 per bus. Under the new regulations Tri-Met should be able to adequately serve the handicapped at much less cost.

IV. CONCLUSIONS

1. In the long run, a healthy, efficient, and comprehensive transit system is essential to the prosperity and livability of the Portland metropolitan area.

2. The amount of revenue shortage which Tri-Met faces depends on the rate of expansion of services. A minimal level of expansion, accommodating only commitments already made, will result in a minor shortage around 1985.

3. A program of planned substantial expansion of transit services will best serve the needs of the entire Portland region, including riders and non-riders.

4. The Transit Development Program (TDP) represents such a desirable expansion program. It should be implemented at a pace which will complete the program by 1986.

5. Expansion in accordance with the TDP will result in a shortage of about \$40 million by 1986. In order to implement the TDP, Tri-Met will require additional revenue in the range of \$40 million between now and 1986, with the first funds needed very soon.

6. The best methods of raising the necessary revenue are (in order of preference):

- a. An increase of \$25 in the bi-annual auto registration fee imposed on vehicles in the Tri-Met district;
- b. A 2.5 percent net personal income tax surcharge (2.5 percent of tax now payable, not 2.5 percent of taxable income);
- c. An increase of 0.1 percent in the payroll/self-employment tax rate (from 0.6 percent to 0.7 percent).

a. Your Committee's first choice is a \$25 per biennium increase in the auto registration fee, limited to vehicles registered in the Tri-Met district. Such a fee should raise about \$8 million per year, or the necessary \$40 million in five years. This fee has a number of advantages:

1. It is quite broad-based;
2. It is at least a symbolic disincentive to auto use;
3. It is a definite, visible, limited amount. The payer can see it as a clear contribution to the transit system, so some of the objections to more indefinite taxes may be obviated;
4. As it is easy to compute and collect, it is administratively simple;
5. It is equitable in that it imposes on car operators part of the costs of transit which benefits them.

b. Our second choice is a regional personal income tax surcharge. Such a tax would be calculated by applying a percentage to the present net income tax payable by individuals, as determined for state income tax

purposes.⁶ It would apply only to persons located within, or who earn income within, the Tri-Met district boundaries, and would be collected by the state and remitted to Tri-Met. A credit would be given for the amount of payroll tax paid. A 2.5 percent tax surcharge could raise approximately \$8 million per year or more than \$40 million over the five years. The major advantage of the income tax is its great money-raising capacity, its fairly broad impact, its relative progressivity, and its broad impact over the entire community. In addition, it was favored by the vast majority of the persons interviewed by your Committee. It was rated second only because of peculiar advantages of the auto registration fee.

c. The payroll/self-employment tax has three major advantages: (a) the payroll tax is already in place; (b) a relatively minor increase would probably not generate as much political controversy as some other choices; and (c) it is a good money producer. A 0.1 percent increase would raise approximately \$7,400,000 per year or about enough, with regular growth, to provide the required \$40,000,000 over five years. The principal negative aspect of the payroll/self-employment tax is its inequity. The Committee does not think it appropriate to place the major part of the cost of transit on the region's employers. For this reason, it was our third choice.

7. Tri-Met's policy of having fares produce 40 percent of operating revenue is unsound. The fare level should be set so as best balance production of revenues with the adverse effects of ridership, by taking into account the comparative cost of driving, both actually and as perceived by the public.

8. Tri-Met could save money by adopting procedures to reduce costs, although not enough to solve the revenue problems, by taking action in the following areas:

- a. Minimize wage increases until wage levels are brought into line with nationwide levels;
- b. Reduce absenteeism;
- c. Subcontract more maintenance;
- d. Use more part time drivers where appropriate.

Some of the practices are prevented or inhibited by the existing union contract.

9. Tri-Met has not been an effective advocate of the value of transit to the community. More public information and discussion would contribute to increased public awareness of the importance of transit.

6. An income tax surcharge on corporations creates some extra problems. Many corporations have central offices in the Portland area from which income earned throughout the state is reported. These figures are not now broken down by locality where earned. A Tri-Met tax on corporations would involve either taxing all such income regardless of where earned, or developing a method of determining where the income was earned. These difficulties can be dealt with but the Committee has not attempted to do so.

V. RECOMMENDATIONS

1. Tri-Met should immediately plan full implementation of the Transit Development Program (TDP) by 1986.

2. Tri-Met should immediately begin a major effort to plan in detail the financial requirements of the TDP improvements and ways of raising the necessary revenue. The plan should be kept current as time goes by.

3. Tri-Met should adopt and submit to the voters in order of our preference:

- a. A \$25 per biennium increase in the auto registration fee; or
- b. A 2.5 percent personal income tax surcharge; or
- c. An increase of 0.1 percent in the payroll/self-employment tax rate.

4. The Tri-Met Board should resolve to abandon its goal of fares raising 40 percent of operating revenues and adopt a policy that fares will be set so as to raise substantial revenues while preserving a significant cost advantage to using transit over the private car, to the end that ridership will grow.

5. Tri-Met should aggressively pursue cost savings practices. Where such practices are prevented or inhibited by union contract provisions, Tri-Met should negotiate strongly toward the removal of such contractual restraints.

6. In order to make it easier to evaluate the financing requirements of planned service improvements such as the TDP, Tri-Met should prepare and periodically update detailed projections showing alternatives based on different possible combinations of the variables involved.

7. Tri-Met should modify the goals of its public relations program to emphasize heightening of public awareness of the benefits of transit to the community.

8. The Board of Governors of the City Club should consider a study which would examine the potential of the integrated transportation tax.

Respectfully submitted,

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Gaulda L. Hahn
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William Day, Chairman

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APPENDIX A

Persons Interviewed

Buel, Ron, Editor and Publisher, Willamette Week
 Cass, Peter, former General Manager, Tri-Met
 Cease, Jane, State Representative (District 18)
 Chapman, Dennis C., Manager, Labor Relations, Tri-Met
 Cotugno, Andy, Transportation Director, Metro
 Cowan, James, General Manager, Tri-Met
 Dotterrer, Steve, Chief Transportation Planner, Portland Planning Bureau
 Drummond, Gerard, President, Board of Directors, Tri-Met
 Feeney, Richard, Executive Director of Public Affairs, Tri-Met
 Fischer, Jody, Public Affairs, Tri-Met
 Frewing, John, Member, Board of Directors, Tri-Met
 Goldschmidt, Neil, former Mayor of Portland, and former U.S. Secretary of Transportation
 Gustafson, Rick, Executive Officer, Metro
 Heitkemper, Rick, Public Transit Division, Oregon Department of Transportation
 Holdridge, Robert, former Member, City Club Standing Committee on Transportation and Communications
 King, N. Richard, Chairman, Citizens Advisory Committee (for Tri-Met budgetary review process)
 MacDonald, Donald, Director, Banfield Light Rail Project, Tri-Met
 Mason, Jack, Executive Director of Finance, Tri-Met
 McCabe, Peter, Business Representative, Amalgamated Transit Union.
 Polani, Ray, Chair, Citizens for Better Transit

APPENDIX B

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